

## **Submission to Senate Economics Committee inquiry into Renewable Energy Targets (RET) by Gladstone Engineering Alliance Inc.**

The Gladstone Region has a well developed industry support sector, represented by the Gladstone Engineering Alliance Inc. (GEA). Members provide engineering and supply services to major industry in the Gladstone region. The services provided involve the maintenance of components, provision of equipment and spare part refurbishing, as well as the construction of new equipment and facilities for major manufacturing and minerals processing plants. The GEA was formed in 2003 as a response to the growing need in the Central Queensland region for the supply chain to major industry to strengthen capability and become globally competitive.

The GEA is concerned regarding the negative impact of the proposed RET on a broad range of industries, in particular the Aluminium industry, and the flow on consequences for the Gladstone region. We request that the Senate Economics Committee recommend an amendment to the legislation and regulations to reflect that as an industry which is both electricity and emissions intense, aluminum should receive a true 90% exemption from both the current and expanded Renewable Energy Target.

The additional costs imposed by RET is another cost faced by the industry and is likely to result in aluminum smelters reducing their workforce and winding back capital expenditure - much of this local spend on regional employment, equipment and supplies will evaporate. Gladstone's economy is heavily reliant on the Aluminium industry now and in the future.

Gladstone makes a significant contribution to Queensland and the Australian economy. The region currently generates some 29% of Queensland's exports by tonnage carried by sea in 2005-2006 which is 20% of Queensland's exports by value and 4.7% of Australia's export value. Gladstone is home to some of the largest and lowest cost mineral and metal producers and has a growing reputation as Australia's economic powerhouse. A number of major international industries are located in Gladstone. These include:

- Queensland Alumina Limited (QAL) – one of the largest alumina refineries in the world
- Boyne Smelters Limited (BSL) – Australia's largest Aluminium smelter
- Rio Tinto Aluminium Yarwun (RTAY) – the world's first greenfield alumina refinery to be constructed since 1985 currently in construction phase of Stage 2.

In 1993 the Queensland Government established the Gladstone State Development Area (GSDA), which is a significant industrial land bank of approximately 28,000 hectares located 15 kms to the north west of Gladstone. The purpose of the GSDA is to secure and protect a large area of suitable land with ready access to a deep water port for large scale industrial development over a 30-50 year timeframe. Future investment opportunities that have been strongly identified for the GSDA include:

- Alumina refining and Aluminium smelting
- Light metals processing and manufacturing
- Carbon calcining
- LNG processing
- Base metals refining, smelting and processing; and
- Petrochemicals and chemical manufacturing.

The Global Financial Crisis (GFC) has impacted significantly on business and industry in 2009. Due to the economic environment investment in Gladstone's major projects is now being cancelled or put on hold, construction and expansion projects are being cancelled or drastically reduced, maintenance and supply contracts are being cancelled, and operational and capital spending is being reviewed and radically reduced, resulting in hundreds of jobs being lost in the region since February 2009.

Currently \$2.1 billion Rio Tinto Stage 2 expansion to the Yarwun site is under construction. On April 8<sup>th</sup> 2009 Gladstone economy experienced one of the biggest blows in its history with the

announcement of 600 contractor jobs lost from the Yarwun 2 expansion project. This comes after 20 operational positions were terminated at the Boyne Smelter site and 15 more permanent operational roles at the Yarwun Alumina Refinery. Since then 14 more operational roles have been lost by QAL. Coupled with contractual re-arrangements at the Yarwun refinery recently resulting in staff being cut by 70. Local engineering firms have indicated a reduction in site work and work flowing through workshops due to Rio Tinto downsizing the Yarwun 2 construction workforce, and reviewing operations. As a result a number of manufacturing and engineering firms have begun reducing costs on sites and in workshops by adjusting working conditions and entitlements, and have included strategies such as:

- making positions and people redundant
- deferring pay rises
- reducing wages (some up to 20%)
- reducing work hours i.e. reducing work week from 5 to 4 days, reducing shifts from 12 hours to 8 hours, and eliminating overtime and shift work.

A recent survey (Gladstone Workforce Survey 2009) has indicated that several hundred jobs have been lost from Gladstone businesses. Business owners and operators have indicated they are not willing to take on financial risk to grow their business, they are not making capital investment that will not have an immediate direct financial return. Gladstone Area Group Apprentices currently have ten apprentices employed at Yarwun 2 worksite. Any reduction of apprentice numbers would not only have an adverse affect on trained tradesmen numbers towards 2020 and beyond, but would further decrease employment when the Federal and State Governments are actively funding programs to promote job growth and new jobs for 2010 - 2012. Investment in training and workforce development has stopped in favour of mandatory training only, and there is an expectation that profit margins will continue to decline in the near future. Industry and businesses are looking for operational savings to conserve cash to survive.

Both statistical and anecdotal evidence suggest that Gladstone is extremely vulnerable due to the impact of the economic pressure on the large industries in this town. Your Senate Committee may consider that the contribution of the Gladstone Region to the financial betterment/GDP of both State and Federal Governments is very disproportionate to its population base of something akin to 50,000 persons only. So Gladstone is a regional city that 'fights well above its weight category' and respectfully but realistically, needs to be recognised as such by Governments. It is the GEA's opinion that if the Aluminium industry is further stressed with additional cost imposed by RET we are at risk of jeopardizing continued economic growth and investment in the Gladstone region which will have a significant impact on both the Queensland and Australian economy. It is not exaggerating to reinforce this most important concept, whilst all responsible members of any community agree that RET must be implemented, there needs to be a balance between growth in the economy and environmental sustainability. A delegation of GEA Members/Executives are available for discussions with the Senate Committee on this all important issue, and we would welcome the opportunity of speaking with you on a face-to-face basis.

This submission is not confidential in any way.

This submission has been approved by the GEA Management Committee.

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